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SUBJECT: MEETINGS WITH IRAQ ELECTRICITY MINISTER

¶1. (SBU) Summary: On December 11, the Iraq Minister of Electricity, Dr. Karim W. Hasan, held separate meetings with USAID and Department of State. At USAID he set out priorities for assistance and asked that these be defined in a USG-GOI bilateral agreement. At State he emphasized his desire to encourage U.S. companies to bid on Iraqi electricity sector projects. He also noted the deteriorating fuel situation and the need for new generating projects that would come on line after current projects are completed. End summary.

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USAID Meeting  
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¶2. (SBU) Dr. Karim met with Deputy Assistant Administrator James Bever and other USAID officials. He seeks a bilateral agreement between GOI and USG that would define USAID's future role in Iraq. He listed four priorities for USAID assistance:

- A joint plan for the energy sector that would integrate planning for electricity and oil;
- Privatization and regulation;
- A new power law (this was linked to a goal of making Iraq the wheeling hub for the Middle East); and,
- Capacity building.

¶3. He cited training as an example of an activity that Iraq was capable of undertaking on its own. He did not discuss where the line should be drawn between capacity building and training. (Comment: The inclusion of capacity building in his priorities may have owed more to tact than to the importance he attaches to it. Capacity building is USAID's current focus and the meeting was attended by representatives of the company responsible for that program.)

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Department of State Meeting  
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¶4. (U) Participation of U.S. companies: Dr. Karim met with NEA DAS Lawrence Butler and other State Department officials.

He noted the controversy over the contracts his ministry has signed with Chinese and Iranian companies. No U.S. company bid on these contracts, and a major purpose of his current trip is to encourage U.S. companies to bid on future contracts. Ambassador Butler promised to support this effort.

¶5. (U) Some companies reportedly have criticized the Ministry of Electricity for failing to provide sufficient information on its project proposals. Dr. Karim rejected the criticism; detailed technical project information is available on the ministry's web site, he said.

¶6. (U) Need for fuel and additional generation capacity: He discussed the need for fuel and for additional generating capacity. The Ministry of Oil has provided less fuel this year than last. Dr. Karim rejected complaints from the Ministry of Oil that it did not receive adequate supplies of electricity and therefore needed to build its own dedicated electrical generation capacity. Refineries are served by dedicated lines and are given priority over hospitals, Karim said.

¶7. (U) Dr. Karim has worked to remove any obstacle from the import of diesel fuel from Kuwait, including trips to that country to meet with Kuwait officials. He stated that he did not know what additional actions he could take, and he asked for USG assistance in facilitating the imports. (Comment: The day following the meeting, Iraq received a shipment of diesel fuel from Kuwait, but this subject will continue to be of interest to the USG.)

¶8. (U) Dr. Karim stated that projects now under construction will provide an additional 3,000 MW of new generating capacity by mid-2009. New generating projects are needed beyond that time, especially large thermal units that can use any kind of fuel. The lack of environmental regulation allows such units to be constructed more quickly in Iraq than in the U.S.

¶9. (U) Ministry of Electricity : Dr. Karim stated that his ministry is overstaffed. There are 100,000 employees; only 30,000 are needed. He cited this not as a problem but as a contribution to addressing the problem of unemployment.

¶10. (U) Dr. Karim confirmed that Ministry of Electricity operations and maintenance has improved and that this improvement has been a big factor in allowing it to supply electricity on a sustained basis at a new higher level. (Comment: The improvement in operations and maintenance has been a joint USG-GOI effort. USG has conducted extensive training in operations and maintenance for Ministry of Electricity personnel; on GOI's side, the Ministry's personnel have assimilated the training, and the Ministry has provided sufficient resources for them to carry the lessons into practice.)  
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